

Weare Township
(Oceana)
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

March 31, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Weare Township	County Oceana
Audit Date 3/31/04	Opinion Date 8/13/04	Date Accountant Report Submitted to State: 8/31/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes and comments and recommendations.

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR).			✓

Certified Public Accountant (Firm Name)

Brickley Delong, PLC

Street Address

PO Box 999

City

Muskegon

State

MI

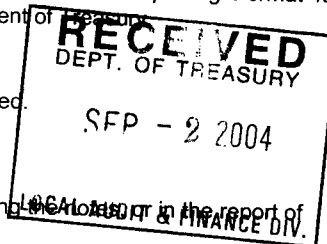
ZIP

49443

Accountant Signature

Date

8/31/04



CONTENTS

INDEPENDENT AUDITORS' REPORT	3
GENERAL PURPOSE FINANCIAL STATEMENTS	
COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUP	4
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—GENERAL FUND	5
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—BUDGET AND ACTUAL— GENERAL FUND	6
STATEMENT OF CHANGES IN PLAN NET ASSETS—PENSION TRUST FUND	7
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS	8
COMBINING AND INDIVIDUAL FUND STATEMENTS	
GENERAL FUND	
STATEMENT OF REVENUES AND EXPENDITURES— BUDGET AND ACTUAL	16
TRUST AND AGENCY FUNDS	
COMBINING BALANCE SHEET	17
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES	18

BRICKLEY DeLONG
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

August 13, 2004

Township Board
Weare Township
Oceana, Michigan

We have audited the accompanying general purpose financial statements of Weare Township as of and for the year ended March 31, 2004 as listed in the table of contents. These general purpose financial statements are the responsibility of Weare Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Weare Township as of March 31, 2004 and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements provided on pages 16 through 18 are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Weare Township. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Brickley DeLong, P.C.

Weare Township
COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUP
 March 31, 2004

ASSETS

	Governmental Fund Types	Fiduciary Fund Types Trust and Agency	Account Group General Fixed Assets
	General		
Cash and investments	\$ 342,109	\$ 37,613	\$ -
Property taxes receivable	16,135	-	-
Due from other governmental units	12,064	-	-
Prepaid expenditures	2,308	-	-
Property and equipment	-	-	-
	<u>372,616</u>	<u>37,613</u>	<u>33,918</u>
	\$ <u>372,616</u>	\$ <u>37,613</u>	\$ <u>33,918</u>

LIABILITIES AND FUND EQUITY

LIABILITIES			
Accounts payable	\$ 4,028	\$ -	\$ -
Due to other governmental units	-	1,911	-
FUND EQUITY			
Investment in general fixed assets	-	-	33,918
Fund Balances			
Reserved for roads	71,104	-	-
Reserved for prepaid expenditures	2,308	-	-
Reserved for pension benefits	-	35,702	-
Unreserved	295,176	-	-
	<u>372,616</u>	<u>37,613</u>	<u>33,918</u>
	\$ <u>372,616</u>	\$ <u>37,613</u>	\$ <u>33,918</u>

The accompanying notes are an integral part of this statement.

Weare Township
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES—GENERAL FUND
 Year ended March 31, 2004

	<u>General</u>
Revenues	
Property taxes	\$ 80,304
Licenses and permits	4,397
Intergovernmental revenues - state	93,515
Investment income	2,361
Charges for service	9,862
Other	2,008
	<u>192,447</u>
Expenditures	
Current	
Legislative	9,979
General government	70,924
Public safety	15,911
Public works	55,616
Community and economic development	9,431
Culture and recreation	2,103
Other governmental functions	2,308
	<u>166,272</u>
Excess of revenues over expenditures	26,175
Fund balance at April 1, 2003	<u>342,413</u>
Fund balance at March 31, 2004	<u>\$ 368,588</u>

The accompanying notes are an integral part of this statement.

Weare Township

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES—BUDGET AND ACTUAL—GENERAL FUND

Year ended March 31, 2004

	General Fund		
	Amended budget	Actual	Over (under) amended budget
Revenues			
Property taxes	\$ 76,400	\$ 80,304	\$ 3,904
Licenses and permits	-	4,397	4,397
Intergovernmental revenues - state	90,000	93,515	3,515
Investment income	3,000	2,361	(639)
Charges for service	10,200	9,862	(338)
Other	1,000	2,008	1,008
	<u>180,600</u>	<u>192,447</u>	<u>11,847</u>
Expenditures			
Current			
Legislative			
General government	12,000	9,979	(2,021)
Public safety	80,000	70,924	(9,076)
Public works	15,500	15,911	411
Community and economic development	57,100	55,616	(1,484)
Culture and recreation	10,500	9,431	(1,069)
Other governmental functions	2,000	2,103	103
	<u>3,500</u>	<u>2,308</u>	<u>(1,192)</u>
	<u>180,600</u>	<u>166,272</u>	<u>(14,328)</u>
Excess of revenues over expenditures	\$ -	26,175	\$ 26,175
Fund balance at April 1, 2003		<u>342,413</u>	
Fund balance at March 31, 2004		<u>\$ 368,588</u>	

The accompanying notes are an integral part of this statement.

Weare Township
Pension Trust Fund
STATEMENT OF CHANGES IN PLAN NET ASSETS
Year ended March 31, 2004

ADDITIONS		
Contributions		
Employer contributions	\$ 2,256	
Employee contributions	<u>2,256</u>	
Total contributions		4,512
Investment income		
Net appreciation in fair value	1,878	
Interest and dividends	<u>352</u>	
Total investment income		<u>2,230</u>
		6,742
DEDUCTIONS		
Investment fees		<u>(485)</u>
		6,257
NET INCREASE FOR THE YEAR		
Net assets held in trust for pension benefits at April 1, 2003		<u>29,445</u>
Net assets held in trust for pension benefits at March 31, 2004		<u>\$ 35,702</u>

The accompanying notes are an integral part of this statement.

Weare Township
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
March 31, 2004

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Weare Township (Township) are prepared in accordance with generally accepted accounting principles. The Township's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

1. Reporting Entity

Weare Township is a common law township governed by an elected five-member board.

Generally accepted accounting principles require that if the Township has certain oversight responsibilities over other organizations, those organizations should be included in the Township's financial statements. Since no organizations met this criteria, none are included in the financial statements.

2. Fund Accounting

The accounts of the Township are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device used to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The following fund categories (further divided by fund type) and account groups are used by the Township:

Governmental Funds

Governmental funds are used to account for the Township's general government activities. The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Fiduciary Fund

The fiduciary fund accounts for assets held by the Township on behalf of others in a fiduciary capacity. Pension trust funds account for assets held in a fiduciary capacity for employee retirement benefits.

Account Group

The general fixed assets account group is used to account for fixed assets.

Weare Township
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS—CONTINUED
March 31, 2004

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

3. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types are presented using the flow of current financial resources measurement focus. With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balance as a measure of available spendable resources.

The governmental fund types use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are “measurable and available”). “Measurable” means the amount of the transaction can be determined, and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Township considers all revenues available if they are collected within sixty days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims, and judgments which are recognized when the obligations are expected to be liquidated with available expendable financial resources.

Property taxes, franchise taxes, licenses, interest, and special assessments are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the Township and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible-to-accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Agency funds are custodial in nature and do not measure results of operations or have a measurement focus. Pension Trust Funds are custodial in nature and utilize accrual accounting.

4. Assets, Liabilities and Equity

a. Deposits and Investments

The Township’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of six months or less from the date of acquisition.

Weare Township
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS—CONTINUED
March 31, 2004

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

4. Assets, Liabilities and Equity—Continued

a. Deposits and Investments—Continued

The Township has adopted an investment policy in compliance with State of Michigan statutes. These statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools, and certain mutual funds.

Pension plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair value.

The Township's pension trust investments are held in trust by the investment fiduciary, the Manufacturer's Life Insurance Company. Michigan Compiled Laws, Section 38.1132, authorizes the Township's plan to invest in a wide variety of investments including stocks, bonds, certificates of deposits, real estate, annuity contracts, obligations of a specified nature, and real or personal property.

b. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not available expendable financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles.

The Township bills and collects its own property taxes. Taxes are levied on December 1 and are due without penalty on or before February 28. The property taxes attach as an enforceable lien on property as of December 1. Uncollected real property taxes as of February 28 are turned over by the Township to the County for collection. The County advances the Township all of these delinquent real property taxes. Collection of delinquent personal property taxes as of February 28 remain the responsibility of the Township Treasurer. Since substantially all Township property taxes levied are current receivables, tax revenues are recognized when levied.

Weare Township
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS—CONTINUED
March 31, 2004

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

4. Assets, Liabilities and Equity—Continued

b. Receivables and Payables—Continued

The 2003 taxable value for the Township was \$24,774,937 on which ad valorem taxes were levied at 1.2178 mills for operating purposes and 1.9664 for road improvements. These amounts are recognized in the General Fund financial statements.

c. Property and Equipment

Property and equipment used in governmental fund types of the Township are recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized on general fixed assets.

Public domain (infrastructure) general fixed assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are not capitalized.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not included in the general fixed assets account group.

d. Fund Equity

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

5. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Weare Township
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS—CONTINUED
March 31, 2004

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets, as required by state statutes, are adopted on a basis consistent with generally accepted accounting principles for all the governmental funds except capital projects funds.

The Township follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to the first week of March, the Township Supervisor submits to the Township Board a proposed operating budget for the year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Not later than the first week in March, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Township Board. All appropriations lapse at year end.

The appropriated budget is prepared by fund, function, and department. The Township's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level. The Township Board made several supplemental budgetary appropriations throughout the year.

NOTE C—DEPOSITS AND INVESTMENTS

1. Deposits

The Township's deposits are categorized to give an indication of the level of risk assumed by the entity at year end. Category 1 includes deposits insured or collateralized with securities held by the entity or its agent in the entity's name. Category 2 includes deposits collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name. Category 3 includes deposits which are uncollateralized.

As of March 31, 2004, the Township's carrying amount of deposits was \$312,520 and the bank balance was \$351,299. Of the bank balance, \$100,000 was covered by federal depository insurance.

Weare Township
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS—CONTINUED
 March 31, 2004

NOTE C—DEPOSITS AND INVESTMENTS—Continued

2. Investments

As of March 31, 2004, the Township's investments represented holdings in mutual funds and certificates of deposit with original maturities of longer than six months.

During the year ended March 31, 2004, the Township's investments were only in these types of investments.

The Township's investments are categorized below to give an indication of the level of risk assumed by the entity at year end. Category 1 includes investments that are insured or registered or the securities held by the Township or its agent in the Township's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the Township's name. Mutual funds are not categorized. As of March 31, 2004, the Township had Category 1 certificates of deposit with fair value of approximately \$31,500. The Township's fair value in mutual funds was \$35,702.

The composition of pension trust fund investments at fair value is included in the previous paragraph and shown as follows:

Money Market	\$23,809
Guaranteed Income funds	<u>11,893</u>
	<u>\$35,702</u>

NOTE D—PROPERTY AND EQUIPMENT

Changes in the components of the general fixed assets account group are summarized as follows:

	Balance April 1, <u>2003</u>	<u>Additions</u>	<u>Deletions</u>	Balance March 31, <u>2004</u>
Land	\$ 1,685	\$ -	\$ -	\$ 1,685
Buildings	21,325	-	-	21,325
Equipment	<u>10,908</u>	<u>-</u>	<u>-</u>	<u>10,908</u>
	<u>\$33,918</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$33,918</u>

Weare Township
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS—CONTINUED
March 31, 2004

NOTE E—OTHER INFORMATION

1. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Township carries commercial insurance. Liabilities in excess of commercial insurance, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. There have been no losses in excess of insurance in the past three years.

2. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Village expects such amounts, if any, to be immaterial.

NOTE F—PENSION PLAN

The Township provides pension benefits for two of its employees through a money purchase plan. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings. The Plan is administered through an independent third party, and contributions are based on annual earnings. For the year ended March 31, 2004, wages covered by the Plan were approximately \$30,000. For the year ended March 31, 2004, the contribution to the Plan by the Township was \$2,256, which represents 7.5 percent of covered payroll.

COMBINING AND INDIVIDUAL FUND STATEMENTS

Weare Township
General Fund
STATEMENT OF REVENUES AND EXPENDITURES—BUDGET AND ACTUAL
Year ended March 31, 2004

	Amended budget	Actual	Over (under) amended budget
Revenues			
Property taxes	\$ 76,400	\$ 80,304	\$ 3,904
Licenses and permits	-	4,397	4,397
State shared revenues	90,000	93,515	3,515
Investment income	3,000	2,361	(639)
Charges for service	10,200	9,862	(338)
Other	1,000	2,008	1,008
	<u>180,600</u>	<u>192,447</u>	<u>11,847</u>
Expenditures			
Legislative			
Township Board	12,000	9,979	(2,021)
General government			
Supervisor	14,000	11,781	(2,219)
Elections	2,000	-	(2,000)
Assessor	16,000	15,860	(140)
Clerk	14,000	11,211	(2,789)
Board of review	2,000	1,245	(755)
Treasurer	20,000	19,392	(608)
Building and grounds	8,000	7,891	(109)
Cemetery	4,000	3,544	(456)
	<u>80,000</u>	<u>70,924</u>	<u>(9,076)</u>
Public safety			
Fire	15,500	15,911	411
Public works			
Roads	57,100	55,616	(1,484)
Community and economic development			
Planning commission	10,500	9,431	(1,069)
Culture and recreation	2,000	2,103	103
Other governmental functions	3,500	2,308	(1,192)
	<u>180,600</u>	<u>166,272</u>	<u>(14,328)</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ 26,175</u>	<u>\$ 26,175</u>

Weare Township
Trust and Agency Funds
COMBINING BALANCE SHEET
March 31, 2004

ASSETS

	Combined	Pension Trust Fund	Agency Tax Collection
Cash and investments	\$ 37,613	\$ 35,702	\$ 1,911
	<u>\$ 37,613</u>	<u>\$ 35,702</u>	<u>\$ 1,911</u>

LIABILITIES AND FUND EQUITY

LIABILITIES			
Due to other governmental units	\$ 1,911	\$ -	\$ 1,911
FUND BALANCE			
Reserved for pension benefits	35,702	35,702	-
	<u>\$ 37,613</u>	<u>\$ 35,702</u>	<u>\$ 1,911</u>

Weare Township

Agency Fund

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year ended March 31, 2004

TAX COLLECTION FUND

	Balance April 1, 2003	Additions	Deductions	Balance March 31, 2004
ASSETS				
Cash and investments	\$ 1,788	\$ 663,851	\$ 663,729	\$ 1,910
	<u>\$ 1,788</u>	<u>\$ 663,851</u>	<u>\$ 663,729</u>	<u>\$ 1,910</u>
LIABILITIES				
Due to other funds	\$ -	\$ 78,268	\$ 78,268	\$ -
Due to other governmental units	<u>1,788</u>	<u>585,583</u>	<u>585,461</u>	<u>1,910</u>
	<u>\$ 1,788</u>	<u>\$ 663,851</u>	<u>\$ 663,729</u>	<u>\$ 1,910</u>

BRICKLEY DeLONG

CERTIFIED PUBLIC ACCOUNTANTS

August 13, 2004

Township Board
Weare Township
Hart, Michigan

In planning and performing our audit of the general purpose financial statements of Weare Township for the year ended March 31, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect Weare Township's ability to initiate, record, process and report financial data consistent with the assertions of management in the general purpose financial statements. We have attached a summary of the reportable conditions.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, the reportable conditions described above are not believed to be material weaknesses.

This report is intended for the information of the Township Board, management, and others within the administration and is not intended to be and should not be used by anyone other than these specified parties.

Brickley DeLong, PLLC

REPORTABLE CONDITIONS

Recommendation 1: The treasurer should provide the clerk with the receipts and disbursement of the road cash account.

During our testing, we noted that the clerk did not record the activity of the road account, which is maintained solely by the treasurer. This resulted in an incomplete General Fund trial balance.

The maintenance of the road fund account by the clerk will result in a fully adjusted trial balance.

Recommendation 2: Bank statements should be reconciled to the Township clerk's records.

We noted the bank statements are not being reconciled to the Township clerk's records. The treasurer prepares a bank reconciliation but does not agree it to the Township clerk's records. The failure to reconcile the bank statements to the Township clerk's records provides the opportunity for misappropriations of funds and accounting errors to go undetected.

We recommend that the bank reconciliations be prepared for all accounts and agreed to the Township clerk's records on a monthly basis.

Recommendation 3: The budget should be amended before year end.

During our testing, we noted that the budget was amended after year end.

State law requires that budgets be amended before the budget is overspent.

Recommendation 4: The clerk should maintain a complete and fully-adjusted trial balance.

During our review, we noted the clerk's records did not include all the required balance sheet accounts.

The clerk should maintain all required accounts. The maintenance of these accounts would make it easier for the clerk to reconcile her cash balance with the treasurer's records.

REPORTABLE CONDITIONS—CONTINUED

Recommendation 5: Cash receipts should be deposited timely.

During our testing, we noted that all cash receipts were not deposited in Township bank accounts on a timely basis.

Timely deposits of cash will improve security and investment income.

Recommendation 6: The Township should remit its pension plan contributions on a timely basis.

During our testing, we noted that the Township was several months behind on remitting its pension payments.

The timely remittance of pension payments would help ensure compliance with the pension plan established for the benefit of the Township's employees.